

Exhibit 2 - Proposed Standards as Modified

INTEGRATED RESOURCE PLANNING.

COSERV ELECTRIC shall cooperate with its power supplier so its power supplier can—

- (A) integrate energy efficiency resources into resource plans; and
- (B) adopt policies establishing cost-effective energy efficiency as a priority resource.

RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.

(A) IN GENERAL.—COSERV's retail rates shall—

- (i) align utility incentives with the delivery of cost-effective energy efficiency; and
- (ii) promote energy efficiency investments.

(B) POLICY OPTIONS.—In complying with subparagraph (A), COSERV shall consider—

- (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
- (ii) providing incentives for the successful management of energy efficiency programs;
- (iii) including the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
- (iv) adopting rate designs that encourage energy efficiency for each customer class;
- (v) allowing timely recovery of energy efficiency related costs; and
- (vi) offering cost effective energy efficiency programs, offering cost effective demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

CONSIDERATION OF SMART GRID INVESTMENTS.

(A) IN GENERAL.—COSERV shall, prior to undertaking investments in non-advanced grid technologies, consider an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

(B) **RATE RECOVERY.**—COSERV shall consider the recovery factors from members on any capital, operating expenditure, or other costs of COSERV relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the cooperative for the deployment of the qualified smart grid system.

(C) **OBSOLETE EQUIPMENT.**—COSERV shall consider deploying a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

SMART GRID INFORMATION.

(A) **STANDARD.**—COSERV will provide direct access, in written or electronic machine-readable form as appropriate, to information to its members as provided in subparagraph (B).

(B) **INFORMATION.**—Information provided under this section, to the extent practicable and applicable to the member, shall include:

(i) **PRICES.**—Members and other interested persons shall be provided, to the extent practicable and applicable to the member, with information on—
(I) time-based electricity prices in the wholesale electricity market; and
(II) time-based electricity retail prices or rates that are available to the purchasers.

(ii) **USAGE.**—Members shall be provided, to the extent practicable and applicable to the member, with the number of electricity units, expressed in kwh, purchased by them.

(iii) **INTERVALS AND PROJECTIONS.**—Updates of information on prices and usage shall be offered, to the extent practicable and applicable to the member, on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

(iv) **SOURCES.**—Members and other interested persons shall be provided, to the extent practicable and applicable to the member, annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost effective basis.

(C) **ACCESS.**—Members shall be able to access, to the extent practicable and applicable to the member, their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.